

To: John Stipicevic[stip@cgcn.com]
From: Thiele, Aaron
Sent: 2017-09-12T14:19:45-04:00
Importance: Normal
Subject: Re: FW: Rum Cover Over
Received: 2017-09-12T14:19:53-04:00

We don't have a political person over there at the moment. Doug Domenench is our nominee that we are waiting for a vote in the Senate on. I talked to him and he said he would need more information regarding your questions on the Rum Cover Over. Nikolao Pula (nikolao_pula@ios.doi.gov), is the SES that is over there as the Director at the moment, he might have some more knowledge and be able to direct you in the right direction. If you have more specific questions on it I can run it by Doug again.

On Tue, Sep 12, 2017 at 1:29 PM, John Stipicevic <stip@cgcn.com> wrote:

Thank you brother!!

From: Thiele, Aaron [mailto:aaron_thiele@ios.doi.gov]
Sent: Tuesday, September 12, 2017 1:25 PM
To: John Stipicevic <stip@cgcn.com>
Subject: Re: FW: Rum Cover Over

Hey Stip, I'm running this through the chain to see who would be best to reach out to.

On Tue, Sep 12, 2017 at 1:13 PM, John Stipicevic <stip@cgcn.com> wrote:

Hey Thiele, I do some work with Beam, and we're very interested in the Secretary's thoughts on this. We care a lot about the Rum Cover Over. Are you or any of your colleagues able to provide a little more color on the Rum Cover Over/US Virgin Islands?

JOHN STIPICEVIC | CGCN GROUP

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From: Terry McNaughton <Terry.McNaughton@beamsuntory.com>
Sent: Tuesday, September 12, 2017 10:25:39 AM
To: John Stipicevic; Brett Hale
Subject: Rum Cover Over

Stip - see below for the article with Sec Zinke's comments...

Clarkson,

This was in the Consortium this morning. We are trying to make sense of this but the #'s don't make sense. I am looking for a better description of his statements on the radio yesterday.

WASHINGTON — U.S. Interior Secretary Ryan Zinke announced on Friday that Interior will be expediting the rum-cover over advance payment of \$223,925,000 for estimated FY 2018 collections in the U.S. Virgin Islands. The move follows President Donald Trump's Thursday approval and signing of a disaster declaration for the territory, which unlocks emergency federal funding for those affected by Hurricane Irma. "These funds will be critical to operations in the USVI as the Governor and emergency teams work to recover from the impacts of Hurricane Irma," Mr. Zinke said. "The people of the U.S.VI will need all the support they can get."

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Adjustments are calculated based upon amounts advanced from rum excise taxes derived from the USVI and collected by the federal government under the Revised Organic Act of the Virgin Islands (48 USC 1541). Under current law, any excise tax collected on USVI manufactured rum imported into the United States is transferred to or "covered-over" to the USVI. The USVI Government submits its advance estimate of rum excise taxes to the Department of the Interior's Office of Insular Affairs on an annual basis so that payment can be made in September of each fiscal year.

Certified rum payments covered over to the USVI in 2016 totaled \$231,498,711. A similar advance payment of \$202,725,000 was made to the USVI in September of last year for fiscal year 2017.

But most of the funds go directly to the territory's bondholders, with Mr. Mapp revealing the latest payment, which the governor stressed was for the government's 2019 debt service, as the 2018 due had already been paid, is \$175 million. Of the remaining \$48 million, \$18 million go to the government's

general fund, and the remainder to Cruzan Rum and Diageo for promotional fees and molasses subsidies, as per the 2007 agreement. The two rum companies must sign an affidavit for the \$18 million to be released, and the governor said he also plans on coming to an agreement with Cruzan Rum and Diageo to release the remaining \$30 million, in light of Hurricane Irma and the substantial cost the government faces as it works to rebuild the territory.